

The 2020 Renewable Fuel Standard (RFS): COVID-19 Impacts

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Ongoing [COVID-19 mitigation measures](#) may impact the [Renewable Fuel Standard \(RFS\)](#)—a mandate requiring U.S. transportation fuel to contain renewable fuel. Since the beginning of the pandemic, transportation fuel demand has [dropped significantly](#), compared to January through early March 2020 and to [projections](#) made when the 2020 volume requirements were finalized. Significant changes in fuel demand and other effects of the pandemic could affect both the implementation of the RFS and the impacts of compliance with the 2020 standard, particularly given the present-day uncertainties with refinery and biorefinery economics, fuel prices, RFS compliance costs, and economic recovery, among other things. Some [Members of Congress](#), [governors](#), and stakeholders in the [petroleum](#) and [renewable fuel](#) industries, among [others](#), have called on the U.S. Environmental Protection Agency (EPA) to take additional action on the 2020 RFS requirements due in part to COVID-19. Congress may consider whether to intervene or whether EPA should intervene, and if so, whether it has the statutory authority to do so.

The Renewable Fuel Standard

The [RFS](#) is a renewable fuel volume mandate scheduled to ascend over time. The [RFS statute](#) specifies minimum annual volume targets for four renewable fuel categories: renewable fuel, advanced biofuel, cellulosic biofuel, and biomass-based diesel. Each year EPA establishes the volume of the [four renewable fuel categories](#) that will be required for the coming year based on the statutory targets and use of its statutory waiver authority.

Under certain conditions, the EPA Administrator has [statutory authority to approve waivers of the RFS requirements](#) (in whole or in part). There are various waivers, one of which EPA has used several times—the cellulosic biofuel waiver. For example, although the statute calls for 30 billion gallons of total renewable fuel in 2020, the [EPA Administrator](#) used the cellulosic biofuel waiver authority to reduce the total volume to 20.09 billion gallons due to “... a projected shortfall in the availability of cellulosic biofuel, and consistent with our long-held interpretation that the cellulosic waiver authority is best interpreted to provide equal reductions to advanced biofuel and total renewable fuel volumes....” The

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2020 final volume requirements correspond to an 11.56% annual percentage standard for total renewable fuel.

Statutory Volumes, Annual Percentages, and RVOs

The RFS statute specifies annual renewable fuel volumes. EPA converts the statutory RFS volumes—after adjusting for any waivers—into annual percentage standards for each fuel category using an equation that accounts for the projected volumes of gasoline and diesel consumed, renewable fuel consumed, and gasoline and diesel exempted. Obligated parties use the annual percentage standards to compute their renewable volume obligation (RVOs) for each fuel category. The RVO is the obligated party's total gasoline and diesel sales multiplied by the annual percentage standard plus any deficit of renewable fuel from the previous year. The RVO determines how many gallons of the particular renewable fuel type the party must account for in order to be in compliance.

U.S. Transportation Fuel Consumption and the RFS

EPA set the annual percentage standards in its 2020 RFS final rule (released in December 2019) using transportation fuel consumption projections at that time. Fuel consumption has dropped considerably since then due in great part to COVID-19 mitigation measures. An obligated party's RVO is based on the annual percentage standards, not the total volume of fuel to be blended nationwide. An obligated party is only responsible for that percentage of the fuel they actually produce for consumption. Therefore, recognizing the current decline in fuel consumption and the “heightened levels of uncertainty” associated with transportation fuel projections for the remainder of the year due to COVID-19 impacts, the actual renewable fuel blended may fall short of the volume EPA set for 2020 (i.e., 20.09 billion gallons).

Stakeholder Perspectives

Stakeholders have commented on the COVID-19 pandemic's impact on 2020 RFS compliance and outcomes. Five states requested a waiver from EPA, citing concerns that “continuing to implement the current RVO ... would ‘severely’ harm the [refining] sector, and consequently harm the economy of the States and the Nation.” Some in the petroleum industry argue that a waiver is needed, in part, to alleviate RFS compliance costs—which they may view as better spent on retaining employees and continuing operations during the pandemic. However, some in the biofuel industry assert that such a waiver would “devastate renewable fuel producers” and “cost essential infrastructure jobs in multiple states,” among other things. Further, 24 Senators wrote the President to request that he reject the requests for a waiver of the RFS, as granting a waiver would “cause further harm to the U.S. economy” and “exacerbate the effects experienced by the biofuel sector as a result of COVID-19, causing far-reaching detrimental impacts on employment, farmers, food security, fuel prices, and the environment.”

The RFS statute gives the EPA Administrator the authority to waive the overall RFS requirements, in whole or in part, if “implementation of the requirement would severely harm the economy or environment of a state, a region, or the United States” or “there is an inadequate domestic supply.” In response to past waiver requests, EPA has acknowledged that “identifying severe economic harm ... is a difficult and complex issue.” EPA has also stated, “waiver decisions are based on current circumstances and market conditions.” Under the statute, the EPA Administrator has 90 days to decide to approve or disapprove a waiver petition.

Prior to requests for a 2020 waiver, one biofuel group called on EPA to increase the 2020 RVO to “the percentage necessary to ensure that the full 20.09 billion gallons required by law are used,” among other things. Should EPA change the 2020 annual percentage standards accordingly, it could lead to a situation

where EPA has issued a final volume requirement far beyond the [ethanol blend wall](#), i.e., for significantly more renewable fuel than can be blended and consumed based on the amount of gasoline actually consumed.

Congressional Considerations

The COVID-19 pandemic may present a unique challenge for the 2020 RFS. The 2020 final annual percentage standards were issued in December 2019—prior to the start of the COVID-19 mitigation measures—when transportation fuel consumption projections differed greatly from current conditions. Congress, EPA, stakeholders, and others are navigating unfamiliar territory in dealing with the novel coronavirus. There is uncertainty on several fronts, including the duration of COVID-19 mitigation actions, both formal (e.g., state “stay-at-home” order) and informal (e.g., consumer choice to stay home). Congress gave EPA the authority to waive the RFS to respond to [certain conditions](#) that arise. Whether and how EPA uses its waiver authority for the 2020 RFS as currently requested remains to be seen.

Additional Resources

- CRS Report R43325, *The Renewable Fuel Standard (RFS): An Overview*
- CRS Report R44045, *The Renewable Fuel Standard (RFS): Waiver Authority and Modification of Volumes*

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